

GEO

Guyana Economic Opportunities

Institutional Assessment of the Guyana Office for Investment (GO-INVEST)

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1 Introduction and Background

1.1 Objective of the Assignment

The assignment is intended to provide the Guyana Office for Investment (GO-INVEST) with a comprehensive plan that will serve as a road map for a process of institutional strengthening and development, and that will guide the subsequent development of its strategic business plans.

1.2 Approach

This objective has been achieved in a three-stage process. The first stage consisted of a diagnostic assessment, which will review the existing institution and identify the expectations of its stakeholders for the future of the organization. In the second stage, a strategic plan was developed, outlining the targets and responsibilities to be set for the agency, and the strategies and tactics for achieving these. The third stage took the form of an integrated investment and trade promotion strategy for GO-INVEST.

1.2.1 The Diagnostic Assessment

The Team undertook an institutional and operational assessment of GO-INVEST. This included the following factors:

- Review and evaluation of the organizational mandate, structure and capacities of the agency;
- Review and evaluation of current strategies for investment and export promotion;
- Assessment of the agency's financial and operational performance;
- Assessment of the agency's current capacities, skills and capabilities;
- Evaluation of the expectations of stakeholders;
- Evaluation of the agency's strengths, weaknesses and gaps in terms of satisfying the expectations of its stakeholders; and
- Outline of a potential strategic direction and approach for the development and improvement of the agency.

Upon initiating the assignment, the team determined that there needed to be a change in the strategy for conducting the exercise. The primary focus for the exercise should be an assessment of GO-INVEST and of the requirements for transforming it into the kind of agency that Guyana needs to adequately promote and develop the country as a destination for private investment. While export promotion is a major consideration, there currently does not exist clearly demarcated roles for GO-INVEST (including the merged operations of GEPC) and the Ministry of Trade, Tourism and Industry. Attention has therefore been focussed on GO-INVEST's main responsibility: investment promotion.

It is envisaged that the assessment of the institution would be followed by intensive consultations with the major stakeholders, especially the Ministry of Finance and the Office of the President, in order to identify and achieve a consensus on the structure, powers and authorities with which Guyana's investment promotion agency ought to be invested. On achieving such a consensus, it would then be possible and effective to develop a comprehensive strategic plan for the agency.

Consequently, the Report that follows reviews the current environment for investment promotion in Guyana and the requirements for an agency to promote investment, and reviews and assesses GO-INVEST as an investment promotion agency.

The assessment of GO-INVEST was conducted along the following lines:

- Interviews with:
 - Relevant Ministers and Government Agencies, such as:
 - The Minister of Trade, Tourism and Industry
 - The Chairman of the Board of GO-INVEST/Adviser to the President
 - Officials of the Ministry of Finance
 - Deputy Chairman and the Acting General Manager of NGMC
 - Past Directors of GO-INVEST
 - Members of the investment community
 - The Chairman of the Private Sector Commission
 - Members of regional chambers of commerce
 - The Executive Director and Senior Staff of GO-INVEST
- Review of GO-INVEST records including Board minutes, financial and other reports.

2 Towards a Framework for Investment and Export Promotion In Guyana

There does not appear to exist, at this time, a single, comprehensive and agreed document that describes Guyana's strategy for the promotion of investment, exports and tourism. There are indeed several drafts, proposals and plans that address different aspects of an

investment strategy, but few of these have been approved and adopted by the Government of Guyana as its committed policy.

Against this background, Go Invest has been operating without a formal framework of policy that would guide its operations. When this is added to the fact that there are severe shortcomings in the organization itself, the result is that the institution is ineffective and consequently has a poor public image.

On the positive side, however, is the fact that there is a continuing conversation, particularly among the members of the private sector and the Ministry of Trade, Tourism and Industry, as well as the Office of the President, on several of the elements that will contribute to the development of a comprehensive investment strategy. These conversations have led to the preparation of a Draft Investment Code, a Draft National Development Strategy and a Draft Investors' Road Map. Much of this work has been made possible with the assistance of the GEO Project.

In addition, the Government has prepared an Interim Poverty Reduction Strategy Paper (I-PRSP), which sets out an approach to the development of Guyana, with its focus being poverty reduction.

The current thinking on a framework for an Investment Strategy for Guyana is contained in all of these reports and from information gathered from consultations with the private sector, the Minister of Trade, Tourism and Industry and the Advisors in the Office of the President.

An attempt will be made in the following paragraphs to synthesise this data and develop a draft framework for investment and export promotion that may be used to guide the restructuring or re-creation of GO-INVEST and the operation and management of the institution that is eventually given the responsibility to lead Guyana's activities in this important area.

2.1 The Existing Policy Matrix

It would seem to be instructive to use the I-PRSP as the appropriate starting point and nucleus of Guyana's investment and export promotion strategy.

The I-PRSP for Guyana expresses the strong commitment of the Government to reduce poverty in the context of accelerated economic growth and improved social conditions. It is the result of two processes:

- The elaboration of the National Development Strategy (NDS), which was formulated through a participatory process involving representatives of the Government and of civil society, including NGOs, the business community

and the University of Guyana. This process was initiated in 1993 by then-President Cheddi Jagan.

- The Business Summit with the private sector, organized by the current President in October 1999 to chart a new course for rapid investment and growth in Guyana. The objectives of the Summit were to identify the constraints that impede private-sector development and to seek consensus on the measures that would accelerate such investment. The Summit prepared an action plan of recommendations and established a joint unit to oversee its implementation.

In the short to medium term, Guyana does not appear likely to have available to it all the resources that would be required to implement all the programs included in the recommendations of the Summit and the NDS. The I-PRSP therefore attempts to prioritise the recommendations of the NDS and the Business Summit. This prioritization appears to be a sound basis on which to attempt to describe a framework for investment and export promotion in Guyana.

2.1.1 Priorities of the I-PRSP¹

It has been estimated that in order to reduce poverty by 1 percent per year, Guyana requires economic growth at the rate of 3.7 percent of GDP per annum. Thus, the policies of the Government will be aimed at engendering higher growth rates, thereby reducing poverty in the long term.

The following are the defined poverty reduction goals:

- Creating opportunities for income generation;
- Job creation;
- Reducing mortality rates;
- Achieving universal primary education; and
- Eliminating gender disparity in education.

The attainment of these targets is predicated on the achievement and sustaining of high growth rates, improvement in social conditions and addressing the uneven spatial distribution of the population and the development process.

The Government therefore proposes to pursue the following strategy:

- Maintain a sound macroeconomic, trade and investment framework;
- Improve the business environment;
- Improve social services;

¹ See I-PRSP, Section III, pages 14 – 31

- Maintain and expand economic infrastructure; and
- Implement special intervention programs in areas with high poverty levels.

While the policies to be developed in areas 3, 4 and 5 above are necessary and supportive of the economic effort, the focus of the present analysis will be concentrated on items 1 and 2 above, defining these as the core of the Government's strategy for the promotion of investment and growth.

The priorities in these two areas are as follows:

1. Improving the macroeconomic environment.

The Government will continue to develop and maintain its program to ensure a sound and viable macroeconomic framework by implementing prudent fiscal and monetary policies to maintain price and exchange rate stability. This will include measures to strengthen tax administration and broaden the tax base.

Rationalization of tax administration has already been initiated by the creation of the Revenue Authority. Monetary policy will aim at the further reduction of inflation and safeguarding the level of external reserves.

2. Expanding and Diversifying the Sources of Growth

Policies in this area rest on securing productivity increases in the sugar, rice, forestry and mining sectors, the enhancement of the country's competitiveness and the maintenance of quality standards. An important element of the concern in this area is that the private sector should continue to grow and to become an important source of change and development in the country. The Government will therefore support a program of export promotion by undertaking the following steps:

- Providing information and company-matching services;
- Supporting the participation of local companies in overseas trade fairs and exhibitions;
- Coordinating industrial cooperation;
- Strengthening the National Bureau of Standards;
- Providing technical assistance to firms to improve quality at the factory level;
- Organizing workshops and seminars to inform the local private sector of WTO requirements; and
- Implementing a new Securities Law to permit swifter transactions in the transfer of ownership and sales of shares.

3. Investment and Export Promotion

The strategy in this area is to attract foreign private capital in the private sector, and to this end the Government will:

- work with stakeholders to improve political stability;
- improve infrastructure;
- accelerate judicial reforms;
- sign bilateral trade treaties with major trading partners;
- expand trade and investment promotion abroad;
- grant autonomy to GO Invest to act as a one-stop investment agency.

4. Good Governance and the Business Environment

The establishment of a sound environment of good governance and of a stable business environment is an important element in the mix of incentives to private investment both from abroad and at home. Such an environment serves to reduce the political and other external risks of doing business in the country. In this regard, the Government is committed to accelerate land reform and improvements in land administration, reform the tender and procurement system, modernise the public sector to ensure efficient delivery of services to the private sector, improve the rule of law and financial services legislation and implement specific enhancement measures that will directly benefit the poor.

These strategies for poverty reduction and economic growth are fully outlined in the I-PRSP and the NDS documents.

It is clear that the strategies outlined in the IPRSP and the legislative program already implemented by the Government are designed to create an environment that will be favorable to the growth of private investment in Guyana. The availability of resources to fully execute the plans and intent of the Government is a critical bottleneck and indicates that the program is likely to be long-term in nature. What is critical in the short run, however, is that the Government ought to formally adopt the strategies outlined above as the firm policy around which the country's long-term public and private-sector investment programs may be confidently built.

2.2 Role of the Private Sector

The issue of the role of the private sector in Guyana's development and investment strategy assumes perhaps larger than normal proportions when account is taken of the history of the development of Guyana since it attained its independence. The country has experienced a long experiment with socialist-type policies in which the Government was positioned as the main actor in investment and production and in which the private sector was relegated to a relatively minor role. Within this environment, there developed a fairly acute level of distrust between the Government and the private sector, remnants of which survive to the present.

As a consequence of this atmosphere of residual distrust, both sides have reservations about the motives and the realistic expectations of the other. Notwithstanding this fact, both sides have made a supreme effort to collaborate in the process of accelerating Guyana's development through a strong private sector, and this is evidenced in the continuing round of consultations among members of the private sector, their representative agencies and the public sector.

These consultations have yielded rich outputs, including the Business Summit and consultations on a Draft Investment Code, on the Small Business Act and on the Investor Roadmap, as well as on other issues related to the development of Guyana.

The role of the private sector is therefore emerging very clearly and may be summarized in the following terms:

- Both the Government and the private sector accept, generally, that the private sector should be the principal engine of growth in Guyana.
- The private sector has, and will continue to participate in the process of designing and implementing appropriate policies for the development of Guyana.
- The private sector will participate in any institutional arrangements that may be required to successfully implement the investment strategy and the overall development of Guyana.
- The private sector recognises and accepts the critical role of Government in creating a good environment for business and investment. Such an environment will include:
 - A facilitative legal framework, including appropriate company; laws and a structure for the ownership and transfer of land;
 - Public sector investment in supportive infrastructure, including education;
 - A stable financial sector, with stable exchange and inflation rates; and
 - An institutional framework that facilitates the attraction of new investments and the promotion of exports.

To achieve its objectives, the private sector itself has to surmount two major and perhaps related hurdles - the structural weakness of the sector and the burden of bank debt. The sector as currently organized is largely comprised of family-owned firms that are reluctant to introduce outside professional management or to seek equity financing. Firms also focus primarily on production for domestic markets. In this context the growth of

entrepreneurship is slow and there appears to be significant concern and fear about opening the country to foreign investment.

At the same time, the sector finds itself buried in substantial bank debt owing to the combination of market and managerial circumstances as experienced over the past several years. The existence of this factor limits the capacity of the business sector to introduce new technology and indeed to attract new partners.

Future growth in the private sector, and its ability to discharge the leading role in development that it envisages for itself, requires that substantial changes take place in the private sector. These include:

- Developing effective strategies to deal with debt burden problem;
- Introducing new technology and professional management;
- Transforming key businesses into publicly held companies with the widest possible range of both public and private shareholders;
- Encouraging the development of entrepreneurship through the sponsorship of training and development programs;
- Redirecting the focus of domestic as well as foreign investment into new foods and services for export; and
- Developing greater openness to attracting foreign investment, including investment in domestic production. Attracting new capital is one mechanism for dealing with the debt problem.

2.3 The Institutional Landscape

A recent report entitled *A Diagnostic Evaluation of the Enabling Environment for Private Sector Investment in Guyana*² identifies an existing and relatively broad institutional infrastructure for private investment, incorporating several organizations providing a combination of services ranging from business start-up assistance, registration, advocacy, trade and investment promotion, credit and finance, labor mobilization, to enterprise and entrepreneurial development. These range from government Ministries and autonomous institutions to private organizations, all with mandates of supporting investment initiatives.

² Trevor Hamilton and Associates, *A Diagnostic Evaluation of the Enabling Environment for Private Sector Investment in Guyana*, prepared for CARICOM Secretariat, Kingston, May 1997 as referred to in *Guyana: Proposals for An Investment Strategy* by Dr. Siegfried Marks, Dr. Arnold McIntyre and Dr. David E. Lewis, USAID/BEEP Project, 1997.

Unfortunately, a number of these institutions appear not to be functioning as well as desired. Many are also institutionally weak and relatively ineffective, in part due to limited human and financial resources, as well as to weak membership commitment.³

At the public-sector level, these institutions include:

- Investment Incentive Approval Authorities:
 - Ministry of Finance
 - Ministerial Committee on Investment
- Investment Promotion, Trade Information and One-Stop Shop for Investors:
 - GO-INVEST
- Export Promotion:
 - Guyana Export Promotion Council (Now merged with GO-INVEST)
 - New Guyana Marketing Corporation

In the private sector, involvement in the investment process focuses on the participation by umbrella groups such as the Private Sector Commission, the Chambers of Commerce, and the GMA, as well as on specific business ventures and on sectoral initiatives, such as with the tourism sector via the Tourism and Hospitality Association of Guyana (THAG) and micro-enterprise development via the Institute of Private Enterprise Development (IPED).

Despite the breadth of this institutional coverage, the report concludes that there seems to have been limited success in attracting new investment into Guyana. A number of reasons have been advanced for the lack of success, including:

- The absence of clear strategic direction and policy from the Government;
- The ineffectiveness of the existing system of investment incentives;
- The difficult and burdensome nature of the process of approval of such incentives as may exist;
- The poor performance of the key public sector institutions, especially GO-INVEST; and
- The hesitancy with which the private sector has approached the invitation of foreign investment into the domestic market.

There is at present no settled Government policy on strategies for investment, and we would add for exports as well. However, considerable work has been done, particularly by the private sector with the assistance of the USAID/GEO project, on preparing recommendations in respect of such a strategy.

³ See Marks, McIntyre and Lewis, *Guyana: Proposals for an Investment Strategy*, p. 54.

2.4 Developing an Investment Strategy

In 1997, with the support of the USAID/BEEP Project, a document entitled *Guyana: Proposals for An Investment Strategy* was prepared. This strategy focused on identifying the incentives that were being considered for encouraging investment in Guyana, developing a framework for implementation of an investment strategy and identifying some sector specific targets that may be considered.

A significant proportion of the discussion on the subject has been focused on the subject of the incentive regime, giving rise to a concern that an assessment should be undertaken of the revenue impact of the incentives proposed. A further study was duly conducted in June 1998 to assess the revenue impact of the proposed incentives and a report entitled *Guyana: Quantitative Assessment of Revenue Impact of Investment Incentives Proposed in Draft Investment Strategy* was published.

In October 1999 the Members of the Private Sector Commission participated in a one-day seminar to analyse the principal recommendations in these reports and arrive at preliminary proposals on a policy framework for Guyana's Investment Strategy.

In addition to the above, an effort was also expended on the drafting of a draft Investment Code for Guyana and on an Investor Roadmap.

The members of the private sector, through the Private Sector Commission, and with the support of USAID's BEEP and subsequently GEO Projects, have been significant motivators of this effort to develop a framework and strategy for investment. This effort by the sector indicates the view that is held by both individual members and by their representative bodies that any national strategy for investment promotion, and indeed for export promotion, must include the private sector as key participants and stakeholders in the framing of policy and in the execution of approved mandates. The views and possible role of the private sector will be dealt with more fully in the next section of this report.

The Investor Roadmap, which is still a draft document, seeks to identify in detail all the steps that must currently be taken by a potential investor in Guyana, listing the names and addresses of all relevant agencies, with telephone and other contact numbers and personnel and with the fees and charges payable. The appendices to the Roadmap contain a copious compendium of all the forms that may have to be filled out by potential investors. While the Roadmap is an extremely useful document, it perhaps serves to emphasise the need to have all the procedures required for making an approved investment rationalized and simplified, at least regarding the effort required by the investor to meet all the statutory and legal requirements. This rationalization of the process is a planned follow-up activity to the Roadmap.

The Investor Roadmap is, however, not equivalent to a complete strategy for investment and it is to the other documents that one must turn to derive the proposals for such a strategy.

The picture that emerges is one of a current strategic investment environment with the following characteristics:

- A primary concern and focus on the incentive regime and the transparency with which it is administered.
- The absence of consensus on overall policy, objectives and strategy.
- Notwithstanding fairly widespread consultation, none of the key documents that have been produced has been formally adopted as government policy. These include:
 - The NDS
 - The I-PRSP
 - The Draft Investment Act
- A weak institutional structure within which any investment strategy may be implemented.
- A weak institution, GO-INVEST, with a poorly defined mandate and weak internal systems, which is expected to facilitate investments but has a poor record and low public esteem and image.
- The absence of clarity and transparency in the application of existing incentives and support programs.
- A land management system that has proved cumbersome and difficult to operate and which produces highly uncertain results.

Notwithstanding the foregoing and the continued importance that incentives play in the consideration of investment promotion in Guyana, it is important to note some objective considerations about investment. In a study by the OECD, international investors were asked to rank the most significant variables that influence an investment decision. Of nine such variables identified, incentives were placed ninth.

This points to an important set of considerations for investment promotion in Guyana.

- Do the results of this analysis hold true for Guyana?

- If not, what are the special characteristics about Guyana that need to be taken into consideration in order to address this peculiarity?
- If the results of the analysis hold true for Guyana, does it hold true equally for local as well as international companies?
- If the elements that make an investment climate attractive are missing in Guyana, can these be compensated for in other areas?

These are questions that are yet to be addressed and answered in the work that has so far been undertaken in preparing an investment strategy for Guyana.

2.4.1 Requirements for an Effective Investment Strategy

When Guyana has completed the development of an appropriate investment strategy, the Government, the private sector and the institutions mandated to implement the strategy should have very clear guidelines as to their roles and responsibilities and the expected outcomes from the implementation of all the elements of the strategy. The following identify some of the key elements of the investment strategy:

- Clear definition of objectives, policy and purpose.
- Focus on production for exports.
- Identification of key sectors including specification of strengths and weaknesses for Guyana. Sectors with export potential will be of crucial concern.
- Identification of most compatible and feasible sources of investment.
- Identification of programs of action to support and encourage local participation in investment projects.
- Definition of sector-specific incentives.
- Definition of specific investment strategies for selected sectors/industries.
- Development of professional and marketing strategies.
- Design of a feasible and practical implementation institution and agency.

2.4.2 Requirements of an Effective Trade Promotion Strategy

One of the critical success factors for an effective trade promotion strategy is the availability of goods and services of consistently high quality at competitive prices. For a platform for growth and development, these goods must have a large proportion of the value-added performed in the exporting country. Therefore, it is not particularly useful to attempt a competitive export-led development strategy based on the export of basic commodities, unless there is a deliberate and careful strategy to use the economic space created to transform the economy.

In the development of the investment-promotion strategy for Guyana there is an opportunity, therefore, to link the investment-promotion strategy with a long-term trade development strategy. Institutionally, this also provides the opportunity to design a cost effective and efficient organization which could benefit from the synergies of these two activities.

Like the proposed investment-promotion strategy, the trade development strategy will have to be sequenced to take into account the capacity of Guyana. The range of activities which will need to be addressed includes a program for:

- International standards issues for:
 - Quality
 - Handling
 - Labelling
 - Hazard analysis (especially important in food and food products)
- Product Issues:
 - Product identification
 - Product development
 - Product differentiation
 - Cultural products
- Market Issues:
 - National branding
 - Identification of markets, and niches within those markets
 - Promotion
- International joint ventures:
- Programs for the introduction of new technologies and business practices

An initial assessment strongly suggests that, like the investment-promotion strategy, the trade-development strategy will have to proceed on two fronts. On the one hand, there

will be an effort to exploit international markets for those products that are market-ready. In this regard, it would appear that there is role to be played by CARICOM as an initial market in which Guyana can 'get its feet wet' in a systematic way.

On the other hand, there needs to be set of simultaneous interventions which will address increasing the capacity of Guyana to produce a range of goods of consistently high quality at competitive prices.

3 The Requirements for an Investment/Export Promotion Agency

3.1 The Environment

The context of economic development has been changing rapidly. These changes require a careful re-thinking of the methods used for investment promotion. Among the most significant changes, which impact investment promotion, are:

- The nature and pace of knowledge, particularly technological knowledge, and change;
- Shrinking economic space and changing competitive conditions; and
- Changing attitudes and policy regimes.

The foregoing not only affects the quanta, speed and direction of international investment, but also the way in which investment is viewed and consequently the manner in which international investment is attracted. Failure to take these underlying contextual factors into consideration significantly and negatively affects the efforts at investment promotion.

For developing countries such as Guyana, there are other considerations in the process of investment promotion. These relate to the extent of the competition for investment funds. It is estimated that there are more than 8,000 economic development and promotion agencies in existence. These seek to promote countries and regions or cities within countries. With varying degrees of efficiency and success they seek to attract essentially the same pool of foreign direct investment funds.

The cost of investment and export promotion is high. Investment promotion costs tend to be concentrated in the developed countries of the world. This is where the pool of investment funds is concentrated as well as where the best markets for goods produced are located. In these countries the cost of advertising, offices, and trade shows, conferences and missions have to be calculated in foreign currency.

Moreover, the provision of special and differentiated treatment for developing countries has been reduced drastically over the last fifteen years and the play of the marketplace has taken on greater and greater significance. The system has become increasingly rules-

based and this trend is growing at an increased rate. The need for investment promotion agencies to become more efficient and competitive therefore increases even more.

Developing countries also tend to have other drawbacks as they seek to attract investment and promote exports. The prospective investor has certain expectations when considering a location. Some of these expectations relate to the nature of the infrastructure in the location. More often than not the developing country would have a lower level of infrastructure development than a developed country.

A survey of potential investors was conducted in OECD countries in the mid-1990s. The survey identified the factors that most influenced the average investor from that grouping when considering a location for investment. Among the factors identified were transparency of the location (that is to say the incidence of corruption and other forms of such activities), effective market size (including the domestic market and any other competitive market access), state of the national infrastructure (both physical and non-physical), the enabling environment, incentives and low labor rank. These last two ranked lowest on the list.

More recently the tendency of international companies “to focus more on the availability of skilled labor, good infrastructure facilities, technology and innovative capacity – that is, created assets – than on traditional determinants such as labor costs, access to natural resources, and large domestic markets” was noted by Fredriksson (1999).

The implications for natural-resource rich but created-resource poor countries like Guyana are obvious. It is clear that there is a need to create competitive advantage for the location as a destination for investment.

This environment, marked by increased competition and created advantage has meant that locations attempt to outdo each other for attracting investment. The rate and nature of these actions indicate the direction that investment promotion must take. The *World Investment Report 1999 – Foreign Direct Investment and the Challenge of Development* (UNCTAD, 1999) points to this trend. The Report noted that most of the changes that took place nationally were designed to facilitate the process of investment. Specifically, in 1998 there were a total of 145 regulatory changes made by 60 countries. Of these changes 94 percent were designed to create more favorable conditions for the incoming investor while only 6 percent were designed to achieve greater control of the process.

In other words, any country that is serious about attracting investment, whether foreign direct investment or local re-investment, needs to ensure that it can compete with a favorable and enabling environment. Every regulation that exists, it must be recalled, is in fact an increase in the transaction cost of any investment and reduces the competitiveness of the local location.

With the foregoing in mind it is possible to suggest a profile for an investment promotion agency in the first decade of the twenty-first century.

3.2 Governance and Authority

The nature of the very competitive environment within which an economic development agency must operate demands that the agency reflect clear lines of authority and governance which are conducive to transparency. The agency should have stated policies and/or procedures for all areas of its operation. Critical among these are:

- A clear statement of objectives, purpose, and mandate.
- Clear definition of the relationship between the Board and the management – including frequency of Board meetings, format of Board reports, respective areas of responsibility of the Board and of the management, lines of communication between the Board, management and staff;
- Policy and procedure for financial regulations – including approval and spending limits, procedures for incurring expenditure, reporting requirements, tenders and contracts;
- Policy and procedures for human resources management and development – job descriptions, compensation policy, personnel performance and review, leave, travel, study; and
- Systems emphasizing and implementing corporate measures of performance.

These policies and procedures should be designed to ensure that there is transparency, accountability, predictability and flexibility.

3.3 Operating Philosophy

To survive, thrive and develop results in the very competitive international environment, an economic development agency requires an operating philosophy that gives its management and staff:

- Focus
- Clear targets
- Defined areas of competence

3.4 Relationship with Approving Authorities

Even in the best-functioning economic development agencies, the notion of the “one stop shop” has proved to be a myth. Invariably, for statutory and other reasons responsibilities for certain approvals must remain with the original authorities, such as the Ministry of Finance, the Customs and Excise Authority and the Tax Authority.

3.5 Organizational Structure and Functioning

There are certain critical characteristics of the structure of any investment and export promotion organization. These are outlined below.

Matrixed – It is important to see the investment and export-promotion organization as a matrixed set of skills and functions. Such a point of departure ensures that the organization is structured with functional silos. This is especially important given the needs of investment promotion, the nature of the continuum of investment promotion, scarcity of resources in developing countries and the need to multitask activities.

Functions – In the course of export and investment promotion we could identify a collection of functions and activities that need to be addressed. These in turn have their own sub-components:

- Advocacy:
 - Networking with stakeholders;
 - Lobbying and securing buy-in from impacting agencies, bodies, etc.;
 - Communicating and educating stakeholders about the positions and philosophy of the agency; and
 - Representing views that proactively position the agency and the country.
- Information:
 - Research design, execution and management to inform positions on which decisions will be made and policy recommended; and
 - Development of databases which are easily accessible, user-friendly and provide timely, relevant and accurate information to support the mission of the agency (including the development of its stakeholders).
- Business Facilitation:
 - Facilitation of the business process with a view to keep transaction costs to the minimum; and
 - Development of an enabling and facilitating business environment, including recommendations for policy and regulatory changes which will make the conduct of business easier.
- Marketing and Promotion:
 - Creating international awareness of the country as a good place to invest and a source of competitive goods and services;
 - Identifying priority locations for sourcing investment;

- Identify priority sectors for promotion for investment;
 - Development of profiles of sectors and projects for possible consideration for investment;
 - Identification of priority markets for the export of goods and services;
 - Identification of priority sectors and matching those with markets;
 - Development of marketing materials;
 - Co-ordination of marketing and promotion activities;
 - Development of country brand image; and
 - Ensuring the integrity of country brand image.
- Training and Human Resources Development – this is especially important in light of the importance of created competitiveness as opposed to national resource endowments in attracting investment:
 - Continuous improvement of the human resources available for economic development through training of the agency's staff; and
 - Continuous improvement of the human resources available for economic development through forecasting and recommendations of gaps and needs.

3.6 Required Skills and Experience

It is accepted that an economic development agency in a small developing country will not be able to support a full range of specialized skills. It therefore becomes very important to be creative and flexible in the manner in which staff is recruited and assigned.

The required skills and experience are time specific. That is to say, the collection of skills and experience required will vary with the stage of development of the agency. In Guyana, for example, it could be argued that the investment and export promotion and marketing skills need to be better balanced by skills in business facilitation, information and advocacy. This is because the product to be marketed needs further development.

As the product is better defined and developed, greater emphasis on and an expansion of the marketing and promotion functions will become the focus for institutional development. Creativity and flexibility will need to be manifested in the recruitment of staff to ensure that there is potential for changes as the needs arise. Failure to recruit in this manner may mean that as the needs of the organization change, staff will have to be changed and institutional memory could be lost unnecessarily.

Initially, therefore, the organization should have skills in the following areas:

- Economic analysis – applicable for business facilitation, and research;
- Negotiations and communications – applicable for advocacy;
- Training;

- Marketing; and
- Project Management.

4 Review of The Guyana Office for Investment

The Guyana Office for Investment is currently the principal agency charged with promoting investment, and more recently exports, in Guyana. In this section, we attempt a review of the agency, by looking at its structure and functioning. In the following section, we identify the gaps that need to be filled in order to ensure that this agency (GO-INVEST) satisfies the standards that were established above in Section 3.

4.1 Operational Mandate

The operational mandate for GO-INVEST is contained in the Order, made under the Public Corporations Act, and dated August 22, 1994. Under this Order, GO-INVEST was established with a Chairman, Deputy Chairman and five other members appointed by the Minister, and provision is made for a general manager of the Corporation to sit as an ex-officio member.

The function of the institution is stated in Section 4(1) of the Order as “GO-INVEST shall promote and encourage investment in Guyana”. Section 4(2) further details the functions of the institution in the following terms:⁴

- Encourage and assist investors in their efforts to launch enterprises;
- Identify, compile and disseminate information on investment opportunities, indigenous raw material sources and local and external market opportunities for the benefit of investors;
- Develop and maintain such data base and information systems as will provide investors with timely and accurate information to enhance the efficiency of their operations and to facilitate investment decisions;
- Prepare profiles on investment opportunities;
- Organize and manage such investment related activities and projects as are assigned to it by the concerned Minister; and
- Monitor and evaluate investment trends and advise the concerned Minister thereon.

In addition, in Section 5 of the Order, the institution is empowered to establish offices outside Guyana or may enter into arrangements with persons outside Guyana.

As drafted, this mandate is fairly wide, but in the absence of the definition of specific powers to the Board in terms of making decisions in respect of proposed investments, the

⁴ See “Order made Under the Public Corporations Act 1988 (No. 21 of 1988), Georgetown, Guyana, August 22, 1994.

institution has insufficient legal and practical authority to effectively facilitate new investment in Guyana. For example, the Board is not empowered to grant concessions, leases or incentives to prospective foreign or local investors.

The Order stipulates that the institution should operate as the primary contact for investors and liaise on their behalf with government ministries and other agencies throughout the investment process. However, the lack of authority for the institution to make or create any decision effectively means that it may be no more than an additional level of bureaucracy through which an investment proposal must pass. Indeed, the public image and perception of the institution's performance support this view.

The institution will clearly benefit from the application of a more precise and specific mandate, along with critical authorities to allow it to effectively discharge that mandate.

4.2 Operational Philosophy

In the absence of a clear mandate, and appropriate authorities for the management and the Board, there appears to have developed an operational philosophy that is based on the acceptance of powerlessness on the part of management. This has meant that little or no attention has been paid to the development of appropriate operational procedures and the implementation of operational systems.

In our review of the organization, GO-INVEST was unable to provide us with copies of standard operating and procedure manuals, job descriptions, a current organization chart and annual or periodic reports of performance and achievements.

Financial statements for the past several years were examined, but we noted that all of these were audited during the current year 2000 and therefore the management letters all reflect comments that appear to suggest that management has not responded to the comments and findings of the auditor.

Budgets are prepared annually and within the context of the public sector budgetary process. The budget does not appear to be related to specific objectives and targets for the year, and indeed very little has been indicated with respect to establishing such objectives and targets.

From the point of view of the management, the organization lacks the authority and influence to ensure that its efforts bear the fruit that it as well as applicants for its services expects. Consequently, there is a sense of being forced to do only what may seem to be expedient or practical and to disguise embarrassment at the failure to deliver by minimising calls by applicants seeking results.

4.3 Governance and Authority

Since the establishment of GO-INVEST, three Chairmen have held that position, the last of whom, previously an Adviser in the Office of the President, has held that position since 1999. At that time, Ministerial responsibility for the institution was transferred from the Ministry of Industry, Trade and Tourism to the Office of the President.

The transfer of the responsibility for GO-INVEST to the Office of the President was predicated, in part, on the expectation that significant improvements in the effectiveness of the organization would ensue. This was expected to be so because of the confluence of certain factors:

- The President of Guyana is also the senior Minister of Finance (assisted by another Minister);
- The Ministry of Finance is the approving authority for the existing incentive and concession regime that is currently in effect; and
- The Chairman of the Board of GO-INVEST was a close Adviser to the President, with substantive duties in the Office of the President.

The expected improvement in effectiveness and efficiency has however not manifested itself. There may be many diverse reasons for this but the performance of the Board must be counted as being contributory.

The Board has met relatively infrequently over the past several years, despite the fact that it is expected to meet at least once per month. For the period January 1996 to October 2000, the official minutes indicate that the Board has met on 18 occasions as follows:

- 2 in 1996
- 3 in 1997
- 6 in 1998
- 6 in 1999
- 1 in 2000

It may be argued that since decision-making on investment proposals is not part of the Board's mandate, there may be a sense that frequent meetings may be counter-productive. Yet the failure of the Board to meet regularly also contributes to the impression that the organization is simply drifting along, doing nothing substantial, and having little impact on the generation of new investment in Guyana.

As has been previously indicated, the Board has been given no authority on any matter, including the recruitment, compensation and discipline of staff. There is also no documented policy on how the staff, including the General Manager, is to be recruited and compensated, except the implied and the practical fact that these are apparently done by the Minister under public-service regulations.

The General Manager has been recruited on contract. Normally, contracts appear to be for no more than two years at a time, with the current General Manager's contract appearing to end in March 2001. The contracts appear to be with the Minister, but it is not clear from the records available whether the current contract has been formalized.

4.4 Organizational Structure and Functioning

We were unable to obtain a chart describing the existing organization structure or job descriptions for the senior and professional staff. Essentially, however, the organization consists of two operational divisions – Investment and Export Promotion. The latter was added in 1998 when it was agreed to merge the operations of the Guyana Export Promotion Council with GO-INVEST.

Although the operations of the GEPC are now integrated into GO-INVEST, it does not appear that a separate division has been formally established for this area of activity, but responsibility for it has been allocated to one of the incumbent Investment Officers. All of the Investment Officers report to the Senior Investment Officer.

In addition to these employees, an Administrative/Accounting Officer is responsible for all administrative and accounting duties.

As indicated above, there is very little evidence of the existence of operating policies and procedures to guide the functioning of any part of the organization.

4.5 Staff Skills and Experience

GO-INVEST has a staff complement of 15, in addition to the CEO. Of these, six are Investment Officers, one of whom is designated Senior Investment Officer, and two are Research Officers. Five staff members are administrative, and two may be considered manipulative (janitorial/office assistant).

The professional officers in the Investment Officer grade are well qualified, generally holding at least a Bachelor's degree. The Investment Officers all appear to be young and with relatively limited experience. The Senior Investment Officer, who also held a senior position in the predecessor organization to GO-INVEST – GUYMIDA – and who therefore has the longest experience in investment facilitation and promotion, supervises the professional officers.

The CEO, who has held this position since 1998, holds a Bachelor's and a Master's Degree as well as an MBA in Finance, and has banking as well as Ministry of Finance experience in his twenty-year professional career.

4.6 Client and Customer Rating

In 1999, a GO-INVEST Client Satisfaction Survey was conducted to determine the level of satisfaction with the institution and to identify client recommendations for its improvement. Some of the principal results and recommendations are reproduced below. Although the sample size was small, the results and recommendations appear to be shared by most of the persons consulted during the course of the present exercise.

- Of the 63 clients who contacted GO-INVEST during 1999, 37 clients, or 58.7 percent were interviewed. Of the 37 clients who responded or were interviewed, 30 were local Guyanese investors and 7 were foreign investors.
- Some 97 percent of the clients interviewed approached GO-INVEST or had their proposal channelled through GO-INVEST, in order to liaise with other government agencies. This was either as a result of a need for recommendations regarding the allocation of land or the granting of duty-free concessions.
- Overall, 35 percent of clients requested various kinds of information from GO-INVEST. About 9 percent of the clients requested information in relation to the preparation of proposals and business plans, while about 16 percent were interested in getting assistance in undertaking joint ventures.
- Some 50 percent of the local clients who requested information from GO-INVEST considered the service inadequate, while an additional 37.5 percent rated the service as poor. Thus, some 87.5 percent of local clients stated that the service was not provided in an efficient and timely manner.
- The professionalism of the staff, in relation to this service, was rated as inadequate by some 62 percent of the local clients interviewed. On average, over 88 percent of local clients felt that services were not provided in an efficient and timely manner.
- On average, some 68 percent of the clients rated the service as inadequate, while an average of 15 percent thought the services were excellent.
- Some 48 percent of local clients rated the service provided by the Agency, with regards to the acquisition of land, as inadequate. The foreign clients, however, seemed to have experienced a more favorable service. Some 40 percent rated the service as satisfactory, 20 percent as above average and 20 percent rated the service provided as excellent.
- In relation to the quality of service provided in making recommendations for clients to obtain duty-free concessions, foreign clients again expressed a relatively higher degree of satisfaction. Some 60 percent rated the services as satisfactory,

while 20 percent regarded it as excellent. On the other hand, some 37 percent of local clients rated the service as poor while another 25 percent found the service to be inadequate.

- Only 28 percent of local clients making a request related to the acquisition of land had their request granted. This compares with 60 percent for the foreign clients. On average it took some 14 months for the processing of land-related issues to be completed for the local clients. On the other hand, the processing for the approval of land-related request made by foreign clients took approximately half the time than that required for local clients.
- None of the local clients interviewed who were requesting duty free-concessions had their requests entirely approved. Fourteen percent received partial approval.
- Seventy-two percent of the local clients interviewed thought that the quality of the technical assessments in relation to duty-free concessions was inadequate.
- Some 40 percent of foreign clients had requests for duty-free concessions granted, while another 40 percent received partial approval. It took on average 4.3 months for the processing of duty-free concession request by foreign clients in comparison with 12.8 months for local clients.
- Some 13.4 percent of local clients, in comparison with 42.9 percent of foreign clients felt that the interface with GO-INVEST was very valuable. Another 42.9 percent found the interaction with the Agency satisfactory. On the other hand, 33.3 percent of local clients felt that the interface was below expectation and 23.3 percent thought that it was a waste of time.

4.6.1 Recommendations

As part of the survey, clients were asked their opinion as to the areas in which improvements are required, so as to enable GO-INVEST to provide a better service to their clients. The recommendations made by the surveyed clients are summarized below:

4.6.1.1 Professionalism

- Training of staff in consumer relation skills;
- Need to be more diligent in returning clients' calls and on follow-up issues;
- Better communication with clients as to process regarding applications for land; and
- Show greater interest in the client's projects, offering technical advice, and visiting project site where necessary.

4.6.1.2 Quality of Service

- Need to be able to give clients guaranteed deadlines for the provision of services;
- Improved use of technology in the provision of information service (e.g., information database on investment opportunities);
- Staff should improve knowledge on non-traditional industrial sub-sectors;
- More information should be available on resources available in Guyana;
- More knowledge on financial options available to investors; and
- Better understanding of the investment climate and conditions overseas, as to better understand the request made by potential foreign investors.

4.6.1.3 Mode of Operation

- Needs to be more proactive with regard to sourcing information and joint-venture efforts;
- Should seek to have more autonomy to enable agency to make decisions, rather than making recommendations that are not acted upon;
- Mandate should be clearly defined (should not leave room for ‘grey areas’);
- Regarding the provision of various services, the agency should be target/goal oriented;
- Seek to remove some of the Government’s bureaucracy related to some services;
- Offer local companies equal opportunities as provided to foreign companies;
- Have the mechanism and authority to stimulate counterpart government agencies to be more responsive to clients issues, particularly land-related issues;
- Decision-making process of the Board needs to be more transparent and based on technical assessments; and
- Less political interference in execution of decisions.

4.7 Summary of Review of GO-INVEST

In the absence of periodic review, performance and achievement reports by the organization, it has not been possible to evaluate the results of the Client Satisfaction Survey through a review of internal reports. Yet the results of the survey are supported by the prevailing view and impression of the performance of the organization that we have received from interviewing and holding discussions with local businessmen and from our own evaluation of the organization.

What the Survey reveals is that the organization performs better when assisting foreign investors than it does when assisting local investors. It is difficult, however, to determine

whether this is a reflection on the organization alone or on the policy of the Government which may favor foreign over local investors.

In any event, the results emphasize the need for a comprehensive policy and strategy for investment to be adopted by the Government and to the need for the organization that is responsible for its implementation to have adequate powers and authorities to perform the functions for the benefit of both local and foreign investors.

5 GO-INVEST Gap Analysis

In Section 3 of this report, a template was outlined identifying the requirements for an investment-promotion agency within the context of Guyana. This template identified certain features of an effective organization and recommended standards of performance in each of these, in accordance with a reasonably realistic assessment of the needs of Guyana.

In Section 4, an assessment of GO-INVEST was undertaken, utilizing the same criteria as those outlined in Section 3. Our analysis indicates that in almost every area GO-INVEST, as currently constituted, does not adequately satisfy the standards that we have postulated.

This means, therefore, that if GO-INVEST is to be upgraded to the standard of institution that has been outlined in this report, there are a number of gaps that it will have to fill. These are summarized in the following table.

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
Governance and Authority	Operating Policies and procedures	Non-existent	Lack of clarity, predictability and transparency	Drafting of policy manuals
	Frequency of Board meetings	Non-existent	Insufficient direction, accountability and support and protection	A somewhat more engaged Board – possible consideration to be given to a restructured Board

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
	Defined Responsibilities of Board and of management	Unclear	Paralysis	Board management retreat and continuing dialogue to ensure commonality of purpose
	Standardized Board reports	Non-existent	<p>Unclear messages to the Board</p> <p>Insufficient basis for the Board to focus on policy and provide the management with appropriate guidance</p> <p>Insufficient information to allow the Board to assess the performance of the management and staff appropriately</p>	<p>Agreement on a reporting format that allows having an overview on:</p> <ul style="list-style-type: none"> • Accountability • Policy • Performance <p>As well as allow the Board to provide:</p> <ul style="list-style-type: none"> • Support • Guidance • Protection • Corrective measures <p>There are several models available which can be adapted to GO-INVEST</p>
	Communication of Board decisions to staff	No standards established	Staff not sufficiently informed of policy, Board thinking and strategic direction	A summary of relevant Board decisions circulated to staff

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
	Financial regulations	Non-existent	Lack of transparency	Transparent financial policies with appropriate and consistent procedures
	Approval and spending limits	Non-existent	Lack of transparency	Transparent financial policies with appropriate and consistent procedures
	Procedures for incurring expenditure	Not clear	Lack of transparency	Transparent financial policies with appropriate and consistent procedures
	Reporting standards	Non-existent	Absence of Reports on organization performance and achievement	Establishment of standard management report systems
	Tenders and contracts	No standards	Lack of clarity and transparency	Develop standard tender procedures
	Human Resource Management	Non-existent	Low staff morale Staff not performance-driven Staff not self-motivated	Human resource management and development policies and procedures developed in dialogue with staff.

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
	Job descriptions	No systems	Lack of clarity on responsibility and functions	Develop job specifications, descriptions and performance standards
	Competitive compensation policy	Non-existent	Low staff morale Staff not motivated to perform at and beyond potential	Development and implementation of benchmarked salary and compensation management system.
	Staff performance and review systems	Public Sector	Insufficient accountability of staff Low morale	Development and implementation of appropriate personnel performance review system
	Policies on leave, travel, study	Non-existent	Lack of transparency Lack of predictability	Development of appropriate policies
	Corporate measures of performance	Non-existent	Insufficient accountability of management and staff	Implementation of corporate performance metrics There are a number of systems which can be used as a model to develop an appropriate evaluation criteria for GO-INVEST

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
Operating Philosophy	Focus	<p>No clear focus of the purpose for pursuing investment</p> <p>No guiding principles of the goals, and methods for investment promotion and facilitation</p>	Powerless agency in need of clear strategic direction	Consensus on the purposes, challenges, methods and goals of an investment-promotion agency for Guyana
	Clear targets	Targets not clear	<p>Ad hoc activities</p> <p>Low success rate</p> <p>Unnecessary criticisms</p>	Development of medium term strategic plan and annualized objectives and targets
	Defined areas of competence	<p>No defined areas of operating competence</p> <p>Management and staff unclear about authority and function</p>	Organization unsure of its mandate and scope of work	<p>Clear policy statement on the role and areas of autonomy of GO-INVEST</p> <p>Strong Board backing to reinforce competence and autonomy</p>

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
Relationship with Approving Authorities	Clear lines of communication	Some authorities unclear about role and function of GO-INVEST	GO-INVEST unable to function effectively in facilitating projects, thereby reducing competitiveness of the investment destination	Clear government policy statement on areas of competence and relationships
	Clear demarcation of competence	Some agencies demonstrate significant contempt for GO-INVEST		Consensus and networking exercises with impacting agencies
Organizational Structure	Transparent policy and procedures for acting on advice and recommendations	Multiple layers of approval which could be simplified without sacrificing transparency and accountability		
	Advocacy	Little Influence on Policy	Ineffectiveness	Develop advocacy skills
	Information	Basic MIS; no networks or databases	Serious information gaps	Develop information System strategic plan to include database development and internal and external networks
		Terminals used in isolation from each other		
		No strategy or program		

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
	Business facilitation	No strategy or program	No activities in progress	Strategic planning
	Marketing and promotion	No plans or programs	Poor image of agency in Guyana and ineffectiveness of efforts to sell the country	Strategic planning
	Training and human resources development	No plans or programs	Deficiency in staff motivation and effectiveness	Strategic human resource planning tied to overall strategic plan
Required Skills	Staffing and staff development	Inadequate numbers of staff Inadequate skills sets	Reduced effectiveness	Comprehensive needs analysis Staff planning Staff development program Strategic plan for human resources requirements Recruitment of competent and empowered human resources professional
	Economic analysis – applicable for business facilitation, and research	Basic competence	Insufficient research coverage	Develop capacities using internal as well as external resources
	Negotiations and communications – applicable for advocacy	No experience or success demonstrated	Organization perceived as ineffective	Develop capacities

Criteria	Standard	GO-INVEST Current Status	Gap	Required Action
	Training	No plans or programs	Insufficient learning within the organization	Develop plan related to overall strategy
	Marketing	No plans or programs	Lack of focus and targets	Develop plan related to strategic plan
	Project management – applicable to all areas of competence and should be a part of the critical competencies of all members of staff.	Little success demonstrated	Inefficiency Ineffectiveness	Training in the project cycle

5.1 Conclusion

As summarized in the above table, there are several shortcomings in the existing GO-INVEST organization, and consequently in Guyana's effort to market itself as a viable destination for investment, and as a source of significant export capacity. In order to improve this situation the following initial steps should be undertaken:

1. Pursue and refine the Government's overall investment strategy as outlined in several draft documents.
2. Secure agreement and implementation at Government level on the delegation of appropriate financial and executive authorities, powers and capacities to GO-INVEST and on clarifying its mandate. This will include clarifying the responses of other agencies such as Customs, Taxes, and Land, etc., to projects emanating from GO-INVEST.
3. Secure consensus on the organizational requirements for GO-INVEST.
4. On the basis of the foregoing consensus, develop a comprehensive strategic plan for GO-INVEST. Such a plan to provide for completion of:
 - a. Operationalizing the national investment and export-promotion Strategy in the context of the parameters of the institutional arrangements proposed.

- b. Developing a marketing and promotion strategy in stages, with specific timelines and deliverables to take into account developments and advances in the economy and in the capacity of Guyana to deliver.
- c. In tandem with (b.) above, develop a human resource development strategy for GO-INVEST, with targets and a roll out (in an effort to present a holistic approach, it would be necessary to develop some indicative targets and impacts external to GO-INVEST).
- d. Information system strategy and plan. This strategy should include a vision, philosophy, architecture and development forecasting for an information system infrastructure that will support the Government's Investment and Export Promotion Strategy and GO-INVEST's role in its delivery.
- e. Comprehensive capital development and expenditure budgets.
- f. Specific output and performance targets.